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Webinar 4:

New Payment Systems and Inherent AML Risks

December 4, 2019



Agenda

10 min Introduction by Fintelekt Advisory Services

35 min Conversation with Guest Speakers

Russell Wilson, Special Counsel, Maddocks and non-Executive Director of Transparency International, Australia

N. M. Eftakharul Alam Bhuiya, Head of Legal and Compliance, and Company Secretary, Nagad, Bangladesh

15 min Question – Answer Session

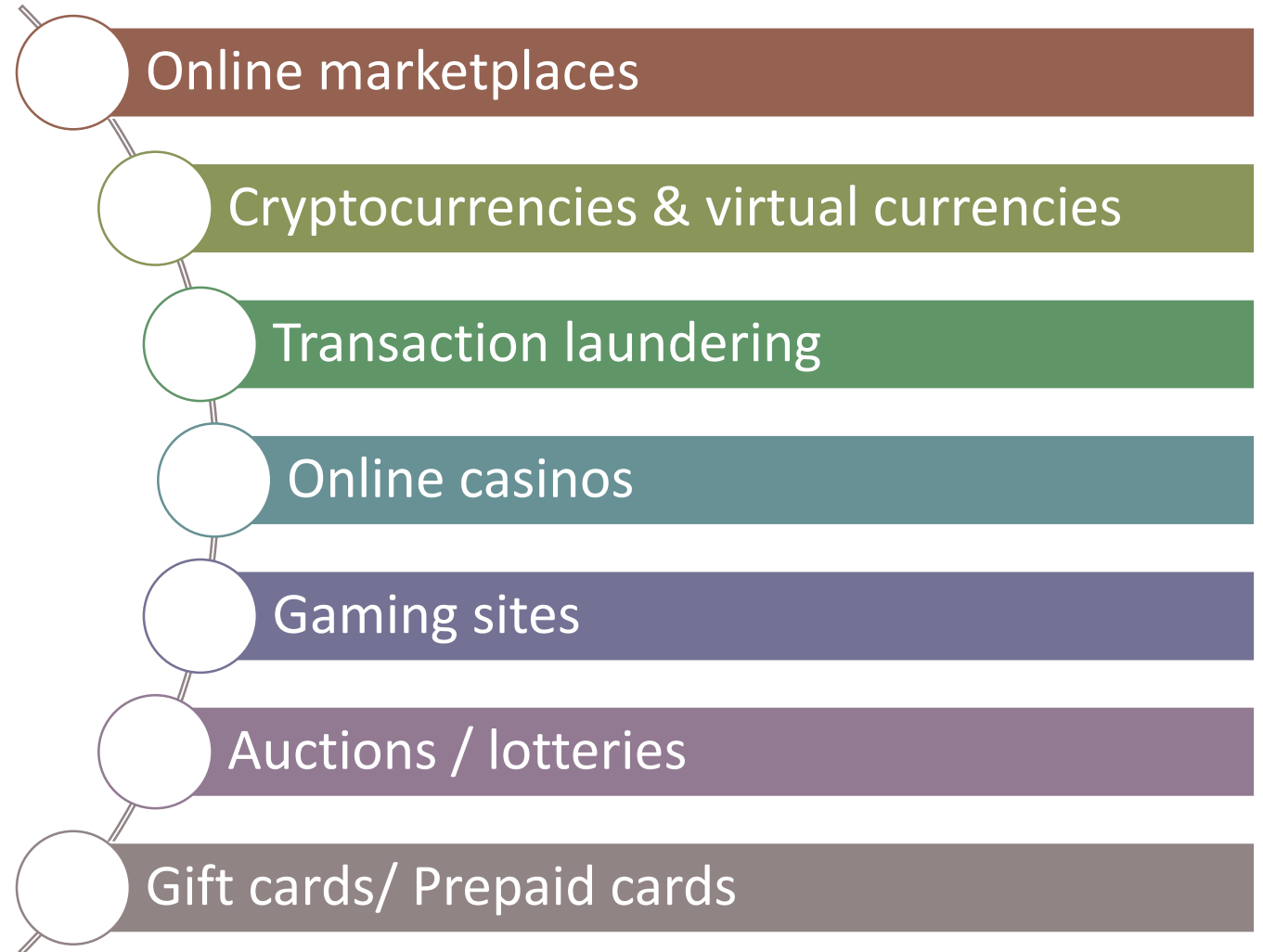
Global Payments Trends

- Faster settlements, better visibility and tracking of payments
- Mobile payments, wallets continue to grow
- Cross border e-commerce will grow
- More small and medium businesses are going digital
- Unbanked and underbanked populations targeted to be included in the financial system.



AML Risks

- Complying with existing regulations in the real time environment
- Real time screening & transactions monitoring
- Increasing fraud and organised criminal activity



Russell Wilson

Special Counsel, Maddocks and Non-Executive Director, Transparency International, Australia



- Russell has over 32 years post admission experience as a lawyer. Russell Wilson is the former General Counsel and National Manager, Legal Governance and Risk of AUSTRAC. Whilst at AUSTRAC, Russell led the last mutual evaluation of Australia for the agency, and also the statutory review of the AML/CTF Act.
- Post retirement, he has been advising on AML/CFT issues with a private law firm, particularly in regard to digital currency exchanges and remittance services.
- He is also non-Executive Director at Transparency International, Australia

N. M. Eftakharul Alam Bhuiya

Head of Legal & Compliance and Company Secretary, Nagad,
Bangladesh



- Eftakharul has a broad legal background with more than twelve years of experience in FinTech, Telecom, Merger & Acquisition, Employment and Finance matters.
- Recently been appointed as the Head of Legal & Compliance and Company Secretary of 'Nagad'—a Digital Financial Service (DFS) platform introduced by the Bangladesh Post Office.
- Prior to this he worked as acting Head of Legal Department of bKash Limited, the largest Mobile Financial Services provider in the world; also worked as in-house Legal Counsel of Grameenphone Ltd. (leading mobile operator of Bangladesh).
- He is an Advocate, Supreme Court of Bangladesh and has been representing clients in different courts and tribunals. Obtained LL.B (Hons) and LL.M in Commercial Law from the University of Dhaka, securing First Class distinction.

What are the challenges to effective regulatory oversight and supervision in the area of new payment systems, given that the risks are global, while regulation is territorial?

Qs. 1

Regulatory Challenges

Regulation is jurisdictional, while technology has no boundaries

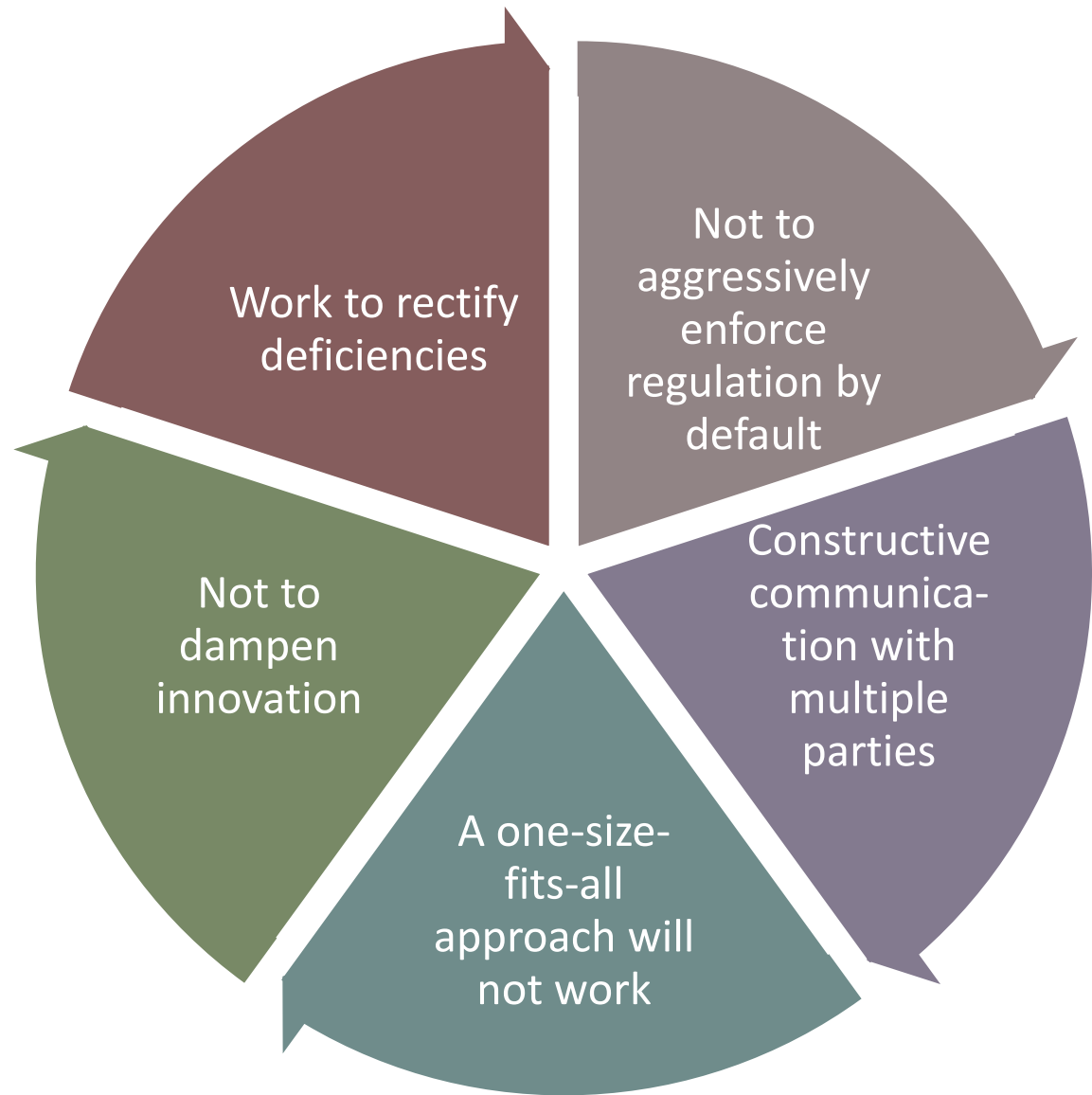
Differences in AML/CFT standards across countries, especially countries that have not signed up to FATF recommendations

Lack of consistency in compliance with FATF recommendations (for those countries that have agreed to comply)

What should be the role of the regulator in the context of the emergence of new payments systems - aggressively enforcing regulation or assuming a wait and watch approach & intervening if necessary?

Qs. 2

Role of the Regulator



What initiatives have you seen from regulators in Asia in recent times to provide the needed flexibility for e-payment systems to gain traction?

Qs. 3

Initiatives by government

Flexible approach by regulators

Competition as well as collaboration among countries

Acceptance of the importance of a digital identity

Unification of fragmented e-wallets and facilitating interoperability

The issue of financial inclusion and a broader adoption is central to the success of new payment systems. How can countries effectively balance financial inclusion priorities with the inherent AML risks?

Qs. 4

Financial inclusion vs. AML risks

Balance between risks and financial benefits – such as reduction of costs, especially remittance costs for developing countries

Customer identification and customer due diligence will be important

Privacy of data will need to be dealt with

Balance between risks and benefits will differ in countries depending on political system and government's approach

Given your company's rapid growth within Bangladesh, what are some of the due diligence challenges that you are facing as a Fintech and a real time payments service provider?

Qs. 5

Due Diligence Challenges



Lack of awareness among customers



Lack of awareness among channel partners



Competitors' standards of due diligence



Technology driven industry



Mode of communication

What are the AML risks that companies are likely to face by relaxing compliance requirements to meet financial inclusion goals? How can these be mitigated?

Qs. 6

AML Risks

- Abuse of platform by fraudsters and criminals if compliance requirements are relaxed for financial inclusion
 - Identity theft
 - Fake accounts
- STR/SAR reporting process will be hampered if due diligence and customer information is not available
- Compliance expenditure will be severely increased.
- Reputational Risk for the organisation.

Mitigating Risks

- Verifying identity through centralised database (e.g. National Election Commissioner's database)
- Creating awareness among customers and channel partners
 - Campaigns to educate customers against fraud
 - AML/CFT training, educational materials, SMS messages
- Transaction monitoring
- Investigation of any reported incidents
- Compliance visits
- STRs/SARs.

What would be your expectations from regulators and banks for a seamless operational environment?

Qs. 7

Expectations from Regulators and Banks

Expectations from Regulators


Inter-operability among mobile banking users
Inter-bank transactions for quick service

Expectations from Banks

Strategic partnerships between banks and
mobile banking service providers to increase
revenue and customer satisfaction

How can financial institutions utilize technology to strengthen safeguards against ML/TF in real time payments?

Qs. 8



Use of
technology
to strengthen
safeguards

Innovation in due diligence

Screening against UN and other Sanctions lists

Transaction monitoring in real time using
pre-defined criteria

Authentication of identity through technology



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Questions?